


Investor Self-Defense

A Critical Step In Wise Investing Is To Investigate Before You Invest!

Before You Invest

- **How much risk are you are willing to tolerate?** Remember – only invest what you can afford to lose!
- **Does the investment you are considering meet your needs?** Ask yourself questions like: What are my future cash needs? Does this investment allow me to access funds to meet future cash needs without significant penalties? What are the tax implications of the investment? What other investment options are available to me? Do I prefer to pay for investment services through a fixed fee, a commission, charge per transaction fee, a percentage of assets in my account, or a combination?
- **Never meet with a salesperson alone in your home and don't rush into filling out or signing documents.** Do not disclose your financial information, social security number, or other personal information until you are confident of the legitimacy of the person and the security of your information.
- **Ask** your attorney, accountant, stockbroker, financial advisor, or other licensed professional about the investment, and discuss options with friends and family.
- **Ask** if the salesperson receives compensation from other sources if you buy a particular stock, mutual fund, bond, annuity, or other investment they recommend. Do they disclose potential conflicts of interest and other sources of commission? Will they put in writing whether they have any conflicts of interest?



Will your investment be in an advisory account or a brokerage account? Different levels of consumer protection and disclosure may apply, depending upon the type of investment account.

Be Wary of Anything That Requires "Immediate" Action

Turn down any investment with high-pressure sales tactics or warnings like "you must act now" or "tomorrow will be too late." It is far better to review an investment and possibly miss an opportunity than it is to make an uninformed decision and lose your money. If the person offering you an investment won't give you time to investigate, something is fishy!

Don't Be A "Courtesy Victim"

Fraud can be stopped – don't let others take advantage of you just because you have good manners! It is not impolite to simply say that you are not interested or that you make it a policy to never do business over the phone. When in doubt about a sales call or personal visit, just say NO!

Check Credentials

Make sure the people and firms who make money from your investments have proper credentials **BEFORE** entering into financial relationships with them. Ask advisors and salespeople to fill out the **“Check Before You Invest”** form (see page 11) so you can verify their licenses, work history, background, company, and the investment itself.

Contact the CA Department of Corporations for information about brokers, investment advisers, financial planners, mortgage bankers/lenders, payday lenders, and their companies. Contact the CA Department of Insurance for information on insurance salespeople, their companies, and annuities. Contact the CA Department of Real Estate for information about realtors, mortgage brokers, and mortgage companies (see pages 13-16 for agency information). Staff can also refer you to other licensing agencies as appropriate.

Review Information and Ask Questions

Request and review written information – this includes risks, obligations, and all costs associated with the investment, as well as full disclosure about commissions, sales charges, maintenance or service charges, transaction or redemption fees, and penalties.

Ask questions and be sure you understand all terms and conditions before signing. Never invest in something that you don’t understand. Be wary of any person who promises to “take care of everything for you.” If salespeople do not want to give you information, it is highly likely they are hiding something.

Report Fraud and Abuse

Don’t let embarrassment or fear stop you from reporting fraud or abuse. If you have any doubts about an investment, or feel that you may have been a victim of fraud, PLEASE report such concerns immediately. Protect yourself and help protect others from fraud!



Remember:

- Confirm that a salesperson and company are properly licensed and registered
- Get the facts before investing
- Identify possible “red flags” associated with the investment
- Locate other available resources
- Get information on current scams targeting seniors



Before making any investment, follow the 4 C’s:

Call us first! Toll-Free **1-866-ASK-CORP**
(1-866-275-2677)

TTY **1-800-735-2922**

Consider all your options

Compare the investment to others

Consult with someone you trust